

TOWNSHIP OF UNION  
Grand Traverse County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Union	County Grand Traverse
Fiscal Year End March 31, 2008	Opinion Date May 20, 2008	Date Audit Report Submitted to State May 23, 2008	

We affirm that:

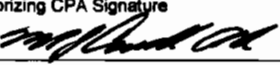
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☒ ☐ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Zip 48707			
Authorizing CPA Signature 	Printed Name Mark J. Campbell	License Number 1101007803	

TOWNSHIP OF UNION  
Grand Traverse County, Michigan

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# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

May 20, 2008

To the Township Board  
Township of Union  
Grand Traverse County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Union, Grand Traverse County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Union's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Union, Grand Traverse County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF UNION  
Grand Traverse County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Union covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Overall total capital assets remained the same.

Overall revenues were \$83,727.57 from governmental activities with a \$8,259.89 increase in net assets.

OVERVIEW OF FINANCIAL STATEMENTS

The annual report consists of basic financial statements and required supplementary information.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole. The statement of net assets includes all the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

All of the activities of the Township are reported as governmental activities. These include the General Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for all of the Township's governmental services with total expenditures of \$70,531.95.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township's governmental activities paid \$0 in principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

TOWNSHIP OF UNION  
Grand Traverse County, Michigan  
**CONDENSED FINANCIAL INFORMATION**  
For the year ended March 31, 2008

	<u>Total Governmental Activities 2008</u>
Current Assets	110 781
Capital Assets	<u>29 203</u>
Total Assets	<u>139 984</u>
Current Liabilities	625
Non-current Liabilities	<u>-</u>
Total Liabilities	<u>625</u>
Net Assets:	
Invested in Capital Assets	29 203
Unrestricted	<u>110 156</u>
Total Net Assets	<u><u>139 359</u></u>

	<u>Total Governmental Activities 2008</u>
Program Revenues:	
Fees and Charges for Services	7 832
General Revenues:	
Property taxes	26 012
Other taxes	12 791
State Revenue Sharing	30 610
Interest	3 370
Miscellaneous	<u>3 113</u>
Total Revenues	<u>83 728</u>
Program Expenses:	
Legislative	4 628
General Government	53 491
Public Safety	14 226
Public Works	<u>3 122</u>
Total Expenses	<u>75 467</u>
Increase in Net Assets	8 261
Net Assets, April 1	<u>131 098</u>
Net Assets, March 31	<u><u>139 359</u></u>

TOWNSHIP OF UNION  
Grand Traverse County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2008

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township at 5020 Fife Lake Road, Fife Lake, MI 49633.

TOWNSHIP OF UNION  
Grand Traverse County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	105 728 79
Taxes receivable	<u>5 051 61</u>
Total Current Assets	<u>110 780 40</u>
NON-CURRENT ASSETS:	
Capital Assets	79 558 00
Less: Accumulated Depreciation	<u>(50 354 84)</u>
Total Non-current Assets	<u>29 203 16</u>
TOTAL ASSETS	<u><u>139 983 56</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>624 87</u>
Total Current Liabilities	<u>624 87</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>624 87</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	29 203 16
Unrestricted	<u>110 155 53</u>
Total Net Assets	<u>139 358 69</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>139 983 56</u></u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF UNION  
Grand Traverse County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	4 628 50	-	(4 628 50)
General government	53 490 80	7 831 54	(45 659 26)
Public safety	14 226 10	-	(14 226 10)
Public works	3 122 28	-	(3 122 28)
Total Governmental Activities	<u>75 467 68</u>	<u>7 831 54</u>	<u>(67 636 14)</u>
General Revenues:			
Property taxes			26 012 06
Other taxes			12 791 09
State revenue sharing			30 609 71
Interest			3 370 19
Miscellaneous			<u>3 112 98</u>
Total General Revenues			<u>75 896 03</u>
Change in net assets			8 259 89
Net assets, beginning of year			<u>131 098 80</u>
Net Assets, End of Year			<u>139 358 69</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF UNION  
Grand Traverse County, Michigan  
BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2008

Total  
(General)

Assets

Cash in bank	104 261 18
Taxes receivable	5 051 61
Due from other funds	<u>1 467 61</u>
Total Assets	<u><u>110 780 40</u></u>

Liabilities and Fund Equity

Liabilities:	
Accounts payable	<u>624 87</u>
Total liabilities	<u><u>624 87</u></u>
Fund equity:	
Fund balances:	
Unreserved:	
Undesignated	<u>110 155 53</u>
Total fund equity	<u><u>110 155 53</u></u>
Total Liabilities and Fund Equity	<u><u>110 780 40</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF UNION  
Grand Traverse County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	110 155 53
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	79 558 00
Accumulated depreciation	<u>(50 354 84)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>139 358 69</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF UNION  
Grand Traverse County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2008

	<u>Total (General)</u>
Revenues:	
Property taxes	26 012 06
Other taxes	12 791 09
Charges for services:	
Property tax administration fee	7 831 54
State revenue sharing	30 609 71
Interest	3 370 19
Miscellaneous	<u>3 112 98</u>
Total revenues	<u>83 727 57</u>
Expenditures:	
Legislative:	
Township Board	4 628 50
General government:	
Supervisor	6 520 40
Elections	2 636 76
Assessor	5 677 74
Clerk	6 938 31
Board of Review	504 80
Treasurer	8 136 82
Building and grounds	11 196 28
Unallocated	6 943 96
Public safety:	
Fire protection	11 182 75
Planning and zoning	3 043 35
Public works:	
Highways and streets	<u>3 122 28</u>
Total expenditures	<u>70 531 95</u>
Excess of revenues over expenditures	13 195 62
Fund balances, April 1	<u>96 959 91</u>
Fund Balances, March 31	<u><u>110 155 53</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF UNION  
Grand Traverse County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 13 195 62

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(4 935 73)
Capital Outlay	<u>-</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>8 259 89</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF UNION  
Grand Traverse County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of the Township of Union, Grand Traverse County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

**Reporting Entity**

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Union. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF UNION  
Grand Traverse County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Investments

Investments are stated at market.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was 1.2167 mills, and the taxable value was \$20,683,580.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF UNION  
Grand Traverse County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Capital Assets**

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building	40 years
Equipment	5 years

**Compensated Absences (Vacation and Sick Leave)**

Employees are not allowed to accumulate vacation and sick pay.

**Post-employment Benefits**

The Township provides no post-employment benefits to past employees.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Note 2 – Budgets and Budgetary Accounting**

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.



TOWNSHIP OF UNION  
Grand Traverse County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**Note 3 – Deposits and Investments**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one financial institution for the deposit of Township funds. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>105 728 79</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	106 018 79
Uninsured and Uncollateralized	<u>4 781 32</u>
Total Deposits	<u>110 800 11</u>

The Township did not have any investments as of March 31, 2008.

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

**Concentration of Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds and the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

TOWNSHIP OF UNION  
Grand Traverse County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 3 – Deposits and Investments (continued)**

**Custodial Credit Risk (continued)**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

**Note 4 – Interfund Receivables and Payables**

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>1,467 61</u>	Current Tax Collection	<u>1,467 61</u>

**Note 5 – Pension Plan**

The Township has a defined contribution pension plan covering the Township Board members and the assessor. The Township and the covered employees each contribute one-half of the cost of the plan. Pension expense for the fiscal year ended March 31, 2008 was \$2,345.56.

**Note 6 – Capital Assets**

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/08</u>
<b><u>Governmental Activities:</u></b>				
Land	17 919 00	-	-	17 919 00
Buildings	52 676 00	-	-	52 676 00
Equipment	<u>8 963 00</u>	<u>-</u>	<u>-</u>	<u>8 963 00</u>
Total	79 558 00	-	-	79 558 00
Accumulated Depreciation	<u>(45 419 11)</u>	<u>(4 935 73)</u>	<u>-</u>	<u>(50 354 84)</u>
Net Capital Assets	<u>34 138 89</u>	<u>(4 935 73)</u>	<u>-</u>	<u>29 203 16</u>

**Note 7 – Deferred Compensation Plan**

The Township does not have a deferred compensation plan.

**Note 8 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF UNION  
Grand Traverse County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**Note 9 – Building Permits**

The Township of Union does not issue building permits. Building permits are issued by the County of Grand Traverse.

**Note 10 – Budget Variance**

The Township spent \$3,122.28 on highways and streets which was not budgeted, resulting in a \$3,122.28 budget variance.

TOWNSHIP OF UNION  
Grand Traverse County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	26 000 00	26 000 00	26 012 06	12 06
Other taxes	15 270 00	15 270 00	12 791 09	(2 478 91)
State revenue sharing	28 000 00	28 000 00	30 609 71	2 609 71
Charges for services – PTAF	2 000 00	2 000 00	7 831 54	5 831 54
Interest	2 400 00	2 400 00	3 370 19	970 19
Miscellaneous	1 800 00	1 800 00	3 112 98	1 312 98
Total revenues	<u>75 470 00</u>	<u>75 470 00</u>	<u>83 727 57</u>	<u>8 257 57</u>
Expenditures:				
Legislative:				
Township Board	6 926 00	6 926 00	4 628 50	(2 297 50)
General government:				
Supervisor	5 672 00	6 922 00	6 520 40	(401 60)
Elections	2 700 00	2 700 00	2 636 76	(63 24)
Assessor	5 738 23	5 738 23	5 677 74	(60 49)
Clerk	7 148 00	7 148 00	6 938 31	(209 69)
Board of Review	1 100 00	1 100 00	504 80	(595 20)
Treasurer	7 598 00	9 598 00	8 136 82	(1 461 18)
Building and grounds	16 620 00	14 020 00	11 196 28	(2 823 72)
Unallocated	10 505 00	9 555 00	6 943 96	(2 611 04)
Public safety:				
Fire protection	11 000 00	11 300 00	11 182 75	(117 25)
Planning and zoning	5 600 00	5 600 00	3 043 35	(2 556 65)
Public works:				
Highways and streets	-	-	3 122 28	3 122 28
Total expenditures	<u>80 607 23</u>	<u>80 607 23</u>	<u>70 531 95</u>	<u>(10 075 28)</u>
Excess (deficiency) of revenues over expenditures	(5 137 23)	(5 137 23)	13 195 62	18 332 85
Fund balance, April 1	<u>60 049 97</u>	<u>60 049 97</u>	<u>96 959 91</u>	<u>36 909 94</u>
Fund Balance, March 31	<u>54 912 74</u>	<u>54 912 74</u>	<u>110 155 53</u>	<u>55 242 79</u>

TOWNSHIP OF UNION  
Grand Traverse County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2008

Township Board:	
Wages	2 191 00
Contracted services	150 00
Training fees and dues	938 91
Supplies	1 126 00
Printing and publishing	208 04
Transportation	14 55
	<hr/>
	4 628 50
Supervisor:	
Wages	5 172 00
Supplies	55 00
Training fees and dues	1 293 40
	<hr/>
	6 520 40
Elections:	
Wages	1 572 40
Training fees and dues	825 00
Miscellaneous	239 36
	<hr/>
	2 636 76
Assessor:	
Wages	4 638 12
Contracted services	555 00
Supplies	484 62
	<hr/>
	5 677 74
Clerk:	
Wages	6 048 00
Training fees and dues	445 00
Transportation	191 58
Supplies	253 73
	<hr/>
	6 938 31
Board of Review:	
Wages	415 00
Printing and publishing	89 80
	<hr/>
	504 80
Treasurer:	
Wages	6 048 00
Contracted services	335 00
Supplies	1 066 18
Transportation	139 24
Training fees and dues	548 40
	<hr/>
	8 136 82
Building and grounds:	
Wages	700 00
Supplies	270 73
Utilities	1 618 08
Repairs and maintenance	267 47
Contracted services	6 720 00
Miscellaneous	1 620 00
	<hr/>
	11 196 28

TOWNSHIP OF UNION  
Grand Traverse County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2008

Unallocated:	
Insurance	3 657 00
Pension	2 345 56
Payroll taxes	397 62
Attorney	221 03
Miscellaneous	<u>322 75</u>
	<u>6 943 96</u>
Fire protection:	
Contracted services	<u>11 182 75</u>
Planning and zoning:	
Wages	1 909 98
Contracted services	992 87
Miscellaneous	<u>140 50</u>
	<u>3 043 35</u>
Highways and streets:	
Contracted services	<u>3 122 28</u>
Total Expenditures	<u><u>70 531 95</u></u>

TOWNSHIP OF UNION  
Grand Traverse County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>Assets</u>				
Cash in Bank	5 908 39	614 924 85	619 365 63	1 467 61
Total Assets	<u>5 908 39</u>	<u>614 924 85</u>	<u>619 365 63</u>	<u>1 467 61</u>
<u>Liabilities</u>				
Due to other funds	5 908 39	26 265 38	30 706 16	1 467 61
Due to other units	<u>-</u>	<u>588 659 47</u>	<u>588 659 47</u>	<u>-</u>
Total Liabilities	<u>5 908 39</u>	<u>614 924 85</u>	<u>619 365 63</u>	<u>1 467 61</u>

TOWNSHIP OF UNION  
Grand Traverse County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
Year ended March 31, 2008

Cash in bank – beginning of year	<u>5 908 39</u>
Cash receipts:	
Property tax	614 903 88
Interest	<u>20 97</u>
Total cash receipts	<u>614 924 85</u>
Total beginning balance and cash receipts	<u>620 833 24</u>
Cash disbursements:	
Township General Fund	30 706 16
Grand Traverse County	232 470 24
Northwestern Michigan College	51 301 33
Traverse Bay Area ISD	52 437 70
Traverse City District Library	20 366 17
Traverse City School	151 747 04
Kingsley School	28 749 12
Forest Area School	45 016 74
Bay Area Transportation Authority	5 867 02
Refunds	<u>704 11</u>
Total cash disbursements	<u>619 365 63</u>
Cash on Hand and in Bank – End of Year	<u>1 467 61</u>



# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

May 20, 2008

To the Township Board  
Township of Union  
Grand Traverse County, Michigan

We have audited the financial statements of the Township of Union for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Union in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Union  
Grand Traverse County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants